

Paul introduced "Financial Freedom Act of 1997" Measure will strengthen credit unions, give tax break to banks

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WASHINGTON, DC - Every American has paid the cost of the heavy regulations in the financial services industry. On Wednesday US Representative Ron Paul (R-Surfside, Texas) introduced legislation that will address what has been a growing rift between financial service providers.

"Over the years banks and credit unions have rightly perceived that they are unduly burdened by the federal government, and seen any relief for their 'competitors' as harmful to their own business," said Paul, a member of the Banking and Financial Services Committee. "The answer is not to increase the level of regulation or taxes on one or the other, but to instead lower the taxes and regulations on all."

To that end, Paul on Thursday introduced the "Financial Freedom Act of 1997" (H.R. 1121) in the House of Representatives.

"This legislation helps both ends of the industry: for the banks the legislation ends the Community Reinvestment Act (CRA) and lowers their federal taxes, for the credit unions the common and multiple membership bonds are expanded," said Paul. "The consumer benefits either way: with fewer regulations and lower taxes consumers will see savings in their banking costs, while the credit union changes give individuals greater choice in their financial dealings."

Credit unions operate with membership based on relationships, or bonds, of those members. Currently, the bonds must be a strict connection. However, the Financial Freedom Act would allow more people to join credit unions by increasing the number of ways in which membership bonds can be counted. In recent months the courts have challenged the ability of credit unions to reach beyond their initial base of membership bonds. This legislation will allow membership rules to be modernized, give consumers more choices, and increase the safety and soundness of the entire financial system.

"This legislation means more choices for the consumer by giving individuals greater freedom to associate and join with others to strengthen their financial muscle."

For many banks, the regulations and taxes they must bear - and pass on to the consumer - have stood in the way of offering services to all segments of the community, said Paul.

"By repealing the CRA, banks will have available to them more resources for low-income families, first-time home buyers and others who might not qualify for loans under the current system."

Paul said this legislation puts the debate in the right direction toward solving the problems of the financial services industry.

"The Financial Freedom Act is a step in the right direction, the direction of cutting taxes and regulations to the benefit of all Americans, regardless of where they live and how much money they make," said Paul. "And while cutting taxes and regulations is always the morally and constitutionally correct position to take, this legislation has the added effect of being a direct, financially positive benefit to every American."